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Carol X Weakley 10/18/2006 02:47:13 PM From DB/Inbox: Carol X Weakley

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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 004107

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E.O. 12958: DECL: 10/17/2011

TAGS: PREL PGOV PINR IS

SUBJECT: OLTERM PUSHES LIEBERMAN-LIKE REFORM IDEAS IN  
KNESSET SPEECH, BUT IS HE SERIOUS?

REF: A. TEL AVIV 4013

1B. TEL AVIV 4034

Classified By: Charge d'Affaires Gene A. Cretz. Reason 1.4 (B/D)

11. (C) Summary: Prime Minister Olmert opened the Winter session of the Knesset October 16 in the conspicuous absence of President Moshe Katsav, who ducked the occasion rather than face a firestorm of protest from MKs who are calling for the President's resignation amidst serious allegations of sexual harassment that could result in indictment(s).

Olmert's State of the Union-equivalent speech ([www.pmo.gov.il](http://www.pmo.gov.il)) was greeted with respectful silence and some scratching of heads regarding his political agenda now that he appears to have dropped anything more than lip service to convergence/realignment. The Labor party continues to thoroughly oppose the inclusion of Yisrael Beiteinu in the governing coalition, but Olmert signaled in his speech that he is prepared to support some of the same ideas that Avigdor Lieberman is championing in the current Knesset. End Summary.

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Peretz/Olmert Rift Over Lieberman  
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13. (C) Defense Minister Peretz's key aide, Haggai Allon, told POL/C October 16 that Olmert had wanted to reach agreement on bringing Lieberman into the coalition before Olmert left for an official visit to Moscow on October 17, but Peretz had blocked it for the time being. Allon said Peretz wanted to "make Olmert sweat" over Lieberman. Allon said including Yisrael Beiteinu (YB) in the coalition "would be the end" of any serious GOI effort to implement the Agreement on Movement and Access (AMA) or remove outposts. Allon implied that Labor would leave the coalition in the event YB came in, but he did not come right out and say so.

**¶4.** (SBU) In his opening address to the Knesset on October 17, Olmert merely stated the obvious: "I am willing to expand the coalition and include additional partners, in order to work together to advance the important issues on the national agenda." Sounding like Lieberman, however, Olmert said his first priority was "to bring about a change in the system of government in Israel, introduce a constitution for Israel and strengthen the stability of the political system."

According to several Knesset contacts, Kadima is still testing the waters with the usual coalition prospects without obvious progress (Yisrael Beiteinu, United Torah Judaism - UTJ, even left-wing Meretz -- poloff observed the frazzled Kadima party whip, Avigdor Itzhaki, pull Yossi Beilin into his office for closed-door consultations on October 17). Meretz legislative aide Dorit Gal told poloff she seriously doubted that Kadima would look left to enlarge the coalition, as that would end Olmert's hopes of burnishing his credentials with the right. She reported, however, that Labor party whip, MK Ephraim Sneh, had made positive comments regarding Meretz MK Avshalom Vilan's pitch for a possible Meretz-Labor merger -- perhaps in the event that YB or UTJ join the Kadima-led coalition.

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Coalition Politics in Disarray  
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**¶5.** (C) Yisrael Beiteinu leader Avigdor Lieberman appears to be in no hurry to join the coalition, and is focusing first on promoting his legislative agenda to introduce a "presidential" system of government, adopt a constitution and create a new constitutional court with less power than the current supreme court (ref a). His legislative aide, Anna Oliker, told poloff October 17 that Lieberman will introduce his system of government bill to the Knesset for a preliminary reading on October 18, but will not bring it to a vote just yet. Oliker confided that YB is not confident it has a majority on board with its bill ("Many MKs still have questions"). She also reported that the other components of Lieberman's reform package faced obstacles from the ultra-Orthodox parties, particularly Shas, who do not want a constitution before the authority of the Supreme Court is reduced. In the past, Shas party leaders felt betrayed by basic laws that, combined with the Supreme Court activism, resulted in decisions (e.g. non-kosher meat imports) that undermined their religious values. This is one reason Lieberman has divided his reform agenda into three parts, she added.

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Other Kadima Members Oppose Lieberman  
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**¶6.** (C) Press reports indicate that some Labor Party opponents of the bill, who also oppose Lieberman's entry in the coalition (ref b), have found an ally in Kadima Vice Premier, Shimon Peres. Even FM Tzipi Livni (Kadima) has leaked her displeasure with Lieberman's reform proposal, preferring that Kadima take the lead on any initiative pertaining to changing the government system. MFA contacts told POL/C that Livni has voiced her opposition to Lieberman's inclusion in the coalition, arguing that it would fundamentally damage Israel's international image and foreign policy objectives. Meanwhile, the most popular politician in the current polls, Benjamin Netanyahu, entered the fray with a weekend-exclusive interview in Yediot Aharonot that detailed his ambition to resurrect the Likud party and, if possible, to draw to it MKs from Kadima, which he described as a passing phenomenon.

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